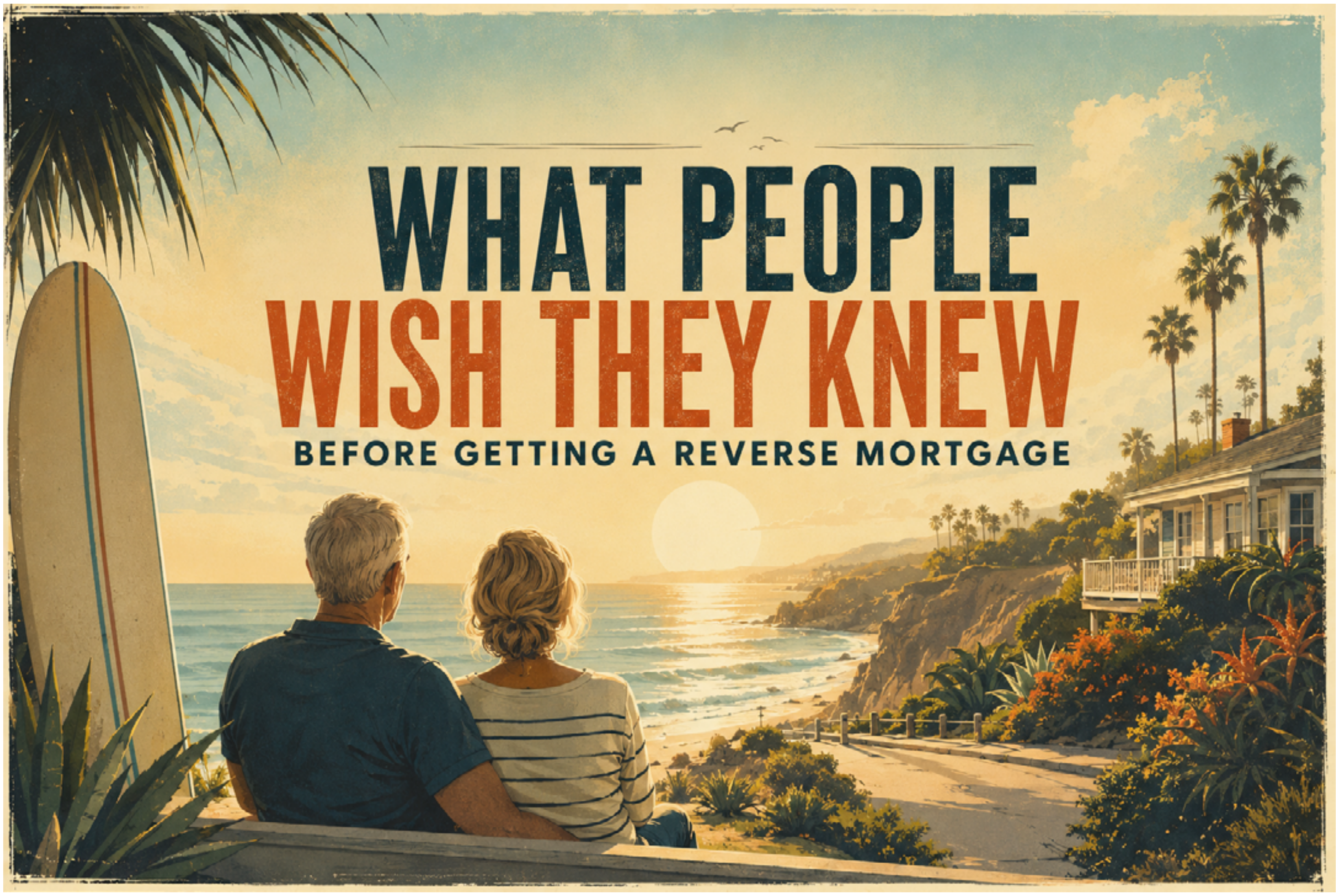


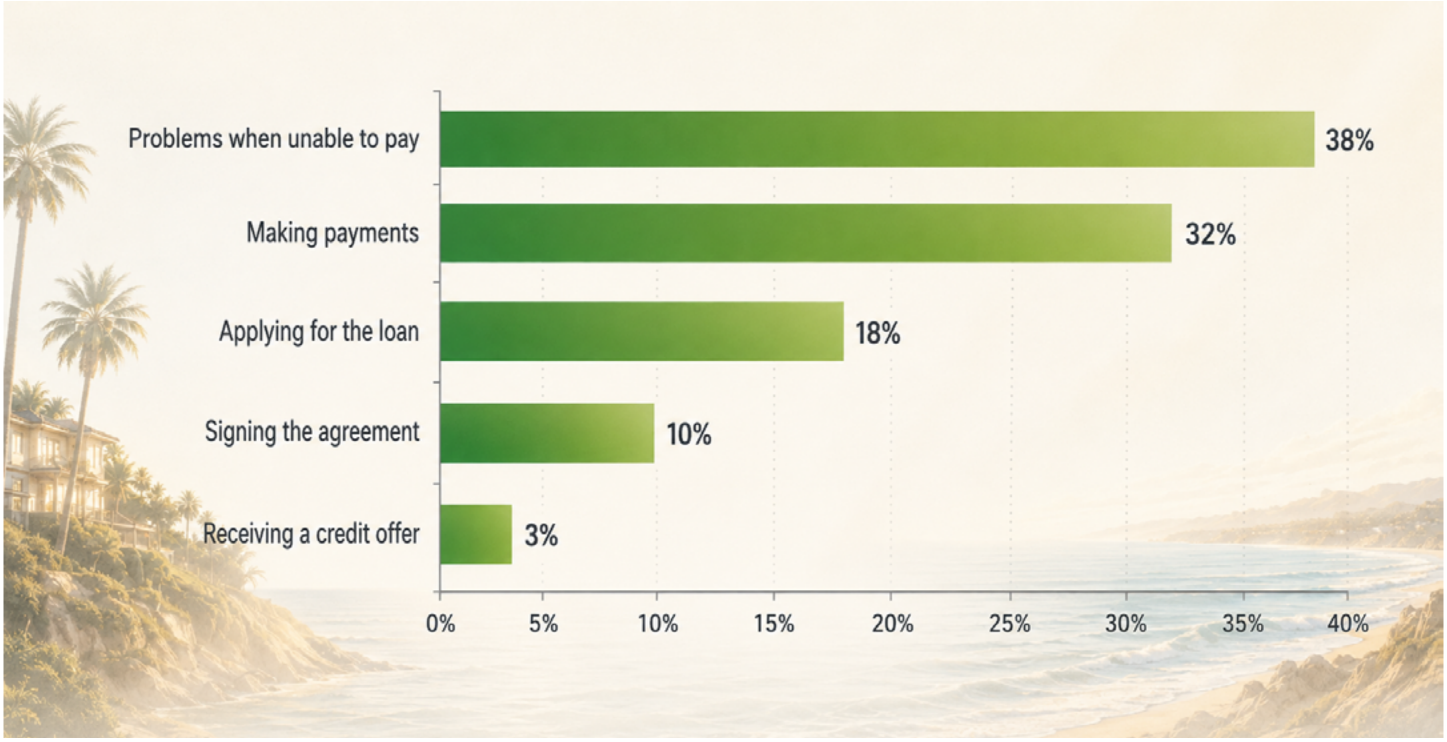
WHAT PEOPLE WISH THEY KNEW BEFORE GETTING A REVERSE MORTGAGE

Here's the useful thing about reverse mortgage regret: It's remarkably predictable. It clusters around the same handful of misunderstandings, over and over.

We know this because the Consumer Financial Protection Bureau analyzed roughly 1,200 reverse mortgage complaints submitted between December

2011 and December 2014 and published what it found. The report is public, and reading it is like reading a list of things people wish they'd asked.

Here's how we can categorize what people wish they knew before getting a reverse mortgage; backed by data:

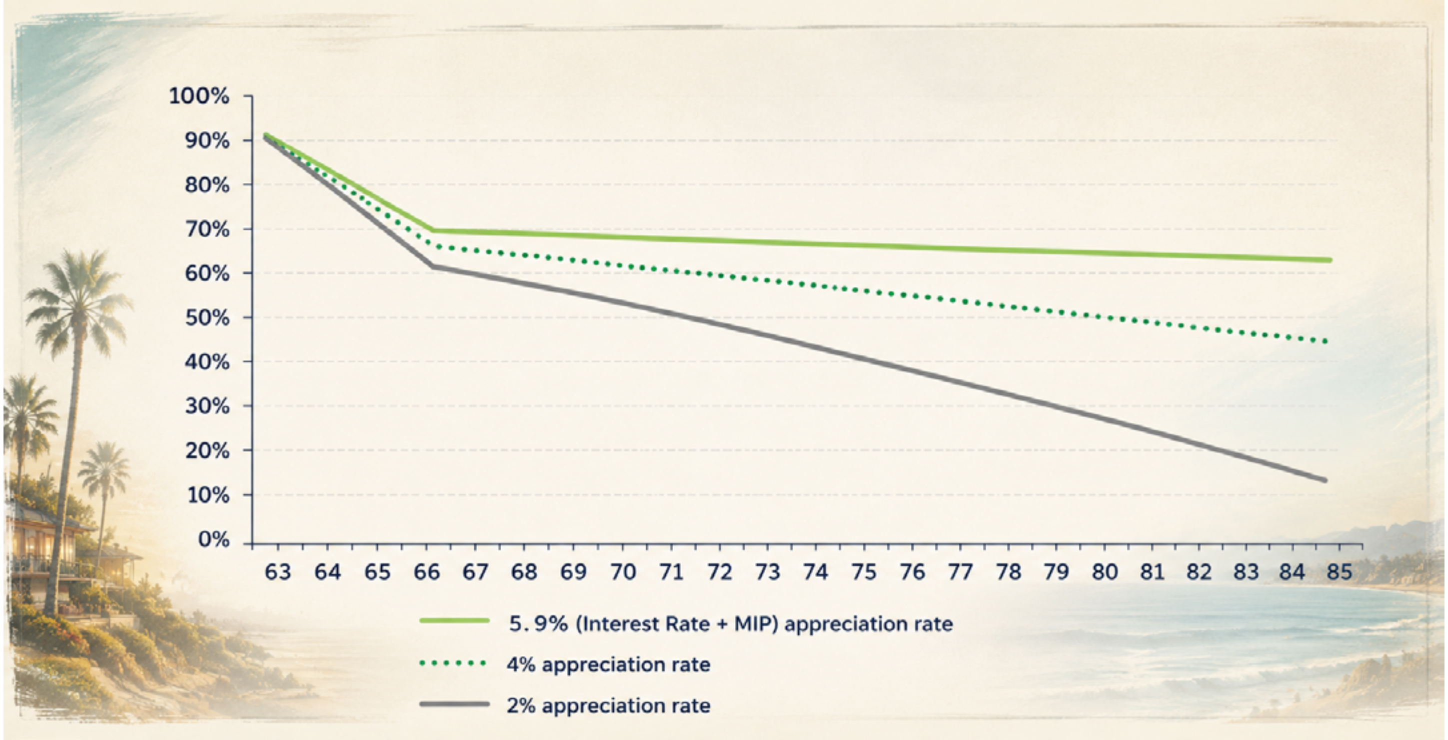


Reverse mortgage complaints, by issue, submitted to the CFPB December 2011 to December 2014

1. "I Didn't Realize How Much Equity the Loan Would Eat"

This is the big one, and it's the root of several others.
According to the CFPB's complaint analysis, many consumers were frustrated when they later couldn't refinance their loans because they didn't have enough equity left.

In its 2017 issue brief, the CFPB modeled a 62-year-old with a $175,000 home appreciating at 4% a year with a 5.9% loan rate. By age 67, the home is worth about $212,914, but the owner's equity has fallen to roughly 64% of the home's value. The house went *up*, and their share of it went *down*.[1]



That's not a scandal. It's just how the product works: you're not making payments, so interest compounds onto the balance. But it's the single thing borrowers most consistently say they underestimated.

2. "I Assumed I Could Add My Spouse Later"

This one is heartbreaking because it was often the result of being told something untrue. The CFPB's complaint report cited complaints about loan officers who falsely promised borrowers they could add a spouse as a borrower on the loan at a later date[2]. You generally cannot.

Get your spouse's status right at closing, in writing, or you may be creating a problem that surfaces years later at the worst possible moment.

3. "I Didn't Know How Hard the Servicing Would Be"

Here's something almost nobody considers before signing: the company you close with is often not the company you'll deal with for the next twenty years.

The CFPB found that the most common reverse mortgage complaint was difficulty changing loan terms, along with problems communicating with loan servicers. Related complaints included difficulty paying off a loan that

had become due, servicers failing to keep accurate records, and servicers simply being unresponsive.

Ask any lender who services their loans and what happens if the loan is sold. It's an unglamorous question that almost nobody asks and plenty of people later wish they had.

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4. "I Used It to Delay Social Security, and the Math Didn't Work"

This is a strategy financial planners genuinely recommend, and it's worth knowing the federal government has questioned it.

In 2017, the CFPB warned that the costs and risks of taking out a reverse mortgage generally exceed the cumulative increase in lifetime Social Security benefits a homeowner would gain by delaying their claim. The specifics from that report: the average length of a reverse mortgage borrowed at age 62 is seven years. By age 69, a borrower using this strategy

will have paid roughly 60% in costs, interest, insurance, and fees on the amount borrowed, and by that age, the loan costs exceed the additional lifetime Social Security benefits the typical borrower gains.

Now the counterpoint, because we said we'd give you both sides. This report was sharply criticized within the industry. Retirement researcher

Jamie Hopkins argued in Forbes that the CFPB's analysis was flawed, in part because it compared future-value loan costs against present-value Social Security benefits, a comparison he considered methodologically unfair.[3]

So What Should You Ask?

Drawn directly from what borrowers reported not knowing, here's the list you should bring to any lender:

- Show me my equity projected out 5, 10, and 20 years, not just today's number
- What happens to my spouse if I die first; and is that in writing?
- Who services this loan, and what if it is sold?
- What triggers the loan becoming due besides my death?
- What's the total cost if I move in seven years instead of twenty?
- Why are you recommending this payout structure over the others?

Still Doing Your Homework?

Have noticed that everything above came from public government records you can read yourself?

Keep exploring our educational library at www.greenmonarch.com, where we cover the costs, rates, and honest downsides without the spin. When you want to talk it through, call [(800) 345-2041](tel:8003452041).

SOURCES

1. https://files.consumerfinance.gov/f/documents/201708_cfpb_costs-and-risks-of-using-reverse-mortgage-to-delay-collecting-ss.pdf
2. https://files.consumerfinance.gov/f/201502_cfpb_report_snapshot-reverse-mortgage-complaints-december-2011-2014.pdf
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